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S E C R E T SECTION 01 OF 08 LONDON 13098

LIMDIS

E.O. 11652: XGDS-3

TAGS: PFOR, PINT, UK

SUBJECT: A DECLINING BRITAIN AND THE ANGLO-AMERICAN
RELATIONSHIP

REF: LONDON 13892 (NOVEMBER 28, 1973); LONDON 4301

SUMMARY - IMPROVEMENT OF THE ANGLO-AMERICAN RELATIONSHIP,
WHICH WAS SUBJECTED TO CONSIDERABLE STRAIN DURING THE
HEATH ADMINISTRATION, HAS BEEN A PRIORITY FOREIGN POLICY
OBJECTIVE OF THE WILSON GOVERNMENT. IN THE MAIN, LABOR'S

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PRO-AMERICAN POLICY HAS BEEN BENEFICIAL TO US INTERESTS.

IT HAS BEEN A PRODUCT OF SEVERAL CONSIDERATIONS: CONCERN ABOUT MAINTENANCE OF THE US DEFENSE COMMITMENT TO EUROPE; THE NEED FOR COOPERATION WITH THE US IN THE FACE OF GROWING BALANCE OF PAYMENTS DEFICITS DUE TO THE INCREASED PRICE OF OIL; STRONG, POSITIVE PERSONAL ATTITUDES TOWARD THE US OF KEY FIGURES IN THE LABOR GOVERNMENT; RE-INSURANCE AGAINST FAILURE OF THE RENEGOTIATION OF BRITISH TERMS OF MEMBERSHIP IN THE EUROPEAN COMMUNITY. COINCIDENT WITH THE BRITISH GOVERNMENT'S EFFORTS TO STABILIZE RELATIONS WITH THE UNITED STATES, BRITISH PRESTIGE AND INFLUENCE ABROAD HAVE DECLINED PERCEPTIBLY; THE SELF-CONFIDENCE OF THE BRITISH PEOPLE HAS BEEN SAPPED BY, AMONG OTHER THINGS, THE PERCEIVED INABILITY OF THE POLITICAL SYSTEM TO FIND SOLUTIONS TO THE COUNTRY'S PROBLEMS, FOREMOST OF THEM DEBILITATING INFLATION. PRECISELY BECAUSE US-UK RELATIONS HAVE IMPROVED SO MARKEDLY IT IS ESPECIALLY IMPORTANT TO EXAMINE POSSIBLE LINES OF POLICY OF THE NEXT BRITISH GOVERNMENT WHICH MIGHT NOT BE CONGENIAL TO US INTERESTS. TO ENSURE A SURPRISE-FREE SCENARIO FOR ANGLO-AMERICAN RELATIONS, CAREFUL ATTENTION SHOULD BE PAID TO THE FOLLOWING AREAS IN PARTICULAR: (A) DEFENSE (UNDER EITHER LABOR OR THE CONSERVATIVES RETRENCHMENT OF AS YET UNKNOWN DIMENSION SEEMS UN-AVOIDABLE); (B) THE INTERNATIONAL ECONOMY AND BRITISH ECONOMIC POLICY (THE US SHOULD BE ABLE TO COUNT ON BRITISH COOPERATION IN ATTACKING COMMON INTERNATIONAL ECONOMIC PROBLEMS, BUT THERE ARE CLEARLY DIFFERING INTERPRETATIONS ON SOME MAJOR POINTS OF EMPHASIS, AND A MORE INTERVENTIONIST POLICY IS LIKELY IN DOMESTIC ECONOMIC AFFAIRS); (C) THE MIDDLE EAST (THE SEVERE STRAINS ON THE US-UK RELATIONSHIP WHICH RESULTED FROM DIFFERENT PERCEPTIONS -- AND ACTIONS -- DURING THE ARAB-ISRAELI WAR OF LAST OCTOBER MAY BE AVOIDED IF HOSTILITIES ARE RENEWED BUT BOTH MAJOR POLITICAL PARTIES IN BRITAIN ARE AND WILL REMAIN DEEPLY PREOCCUPIED WITH THE UNINTERRUPTED FLOW OF ARAB OIL); AND (D) THE EUROPEAN COMMUNITY (BRITISH WITHDRAWAL WOULD HAVE PROFOUND IMPLICATIONS FOR THE US AND THE ANGLO-AMERICAN RELATIONSHIP).

BRITISH MEMBERSHIP OF THE EUROPEAN COMMUNITY HAS IN
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THE MAIN BEEN BENEFICIAL TO US INTERESTS. IF BRITAIN STAYS IN THE COMMUNITY, THE NEXT UK GOVERNMENT IS LIKELY TO FOLLOW POLICIES IN THE EC WHICH CONTRIBUTE TO BUILDING THE KIND OF RELATIONSHIP BETWEEN THE US AND THE EC WHICH CORRESPOND TO OUR OWN OBJECTIVES IN EUROPE. BUT CONTINUED BRITISH MEMBERSHIP IS AN OPEN QUESTION. SINCE BRITISH WITHDRAWAL COULD HAVE GRAVE CONSEQUENCES FOR BRITAIN'S FUTURE AND ADVERSELY AFFECT US INTERESTS IN

BRITAIN AND WESTERN EUROPE, AND SINCE THERE ARE PERSISTENT DOUBTS IN LONDON ABOUT WHETHER THE US HAS DEEP CONCERN ABOUT THE FUTURE OF EUROPE, WE RECOMMEND THAT THE US GOVERNMENT AT THE HIGHEST LEVELS AND IN A DISCREET AND APPROPRIATE WAY MAKE UNMISTAKABLY CLEAR TO THE NEXT BRITISH GOVERNMENT THE CONVICTION OF THE UNITED STATES THAT OUR INTERESTS AND THOSE OF BRITAIN (WHICH CONVERGE ON THIS ISSUE) ARE BEST SERVED BY A PROSPEROUS, OUTWARD-LOOKING EUROPE OF WHICH BRITAIN IS A COMMITTED MEMBER. THE CHOICE IS BRITAIN'S ALONE. IF BRITAIN OPTS OUT OF

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R 081415Z OCT 74

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LIMDIS

EUROPE, THE US-UK RELATIONSHIP COULD BECOME LOP-SIDED AND A DRAIN ON THE US. ADRIFT FROM EUROPE, A PROGRESSIVELY ENFEEBLED BRITAIN WOULD FIND IT HARD TO AVOID BECOMING INTERNATIONALLY IRRELEVANT. THE US COULD NOT GAIN FROM SUCH AN OUTCOME. END SUMMARY

1) INTRODUCTION - THE GENERAL ELECTION IN THIS AUTUMN OF BRITAIN'S DISCONTENT IS, OBJECTIVELY, THE MOST CRUCIAL THE COUNTRY HAS FACED SINCE 1945. THE COURSE CHARTED BY THE NEXT GOVERNMENT WILL DETERMINE HOW BRITAIN WILL
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EMERGE FROM THE PRESENT CRISIS AND WHETHER BRITAIN WILL CONTINUE TO BE, OR TRY TO BE, A MIDDLE POWER OF THE FIRST RANK. DURING THE LIFE OF THE NEXT GOVERNMENT, THE ANGLO-AMERICAN RELATIONSHIP, BUFFETED UNDER THE CONSERVATIVES AND GRATIFYINGLY RESTORED TO A NEW LEVEL OF CONFIDENCE AND CORDIALITY BY THE LABOR GOVERNMENT, WILL INELUCTABLY EXPERIENCE CONTINUED CHANGE. WHETHER THAT CHANGE WILL PRODUCE A MUTUALLY ADVANTAGEOUS RELATIONSHIP OR WHETHER IT WILL LEAD TO FURTHER ATTENUATION OF THE ANGLO-AMERICAN CONNECTION WILL DEPEND ON THE FORESIGHT AND REALISM OF POLICY MAKERS IN BOTH LONDON AND WASHINGTON AND ON THEIR OBJECTIVE JUDGMENTS OF THE VALUE OF THE "NATURAL RELATIONSHIP." IN THIS REVIEW OF THE CURRENT STATE OF THE ANGLO-AMERICAN RELATIONSHIP, WE ASSESS TRENDS IN THE UK WHICH ARE LIKELY TO AFFECT US-UK RELATIONS, IDENTIFY SOME AREAS OF POTENTIAL FRICTION, AND DISCUSS SOME LINES OF POLICY WHICH THE US MIGHT CONSIDER IN THINKING ABOUT THE KIND OF NEAR-TERM RELATIONSHIP WE WISH TO SEE DEVELOP WITH THE UK.

2) THE LABOR GOVERNMENT'S SUPPORT OF US POLICIES - THE DECLARED FOREIGN POLICY PRIORITY OF THE LABOR GOVERNMENT WAS TO IMPROVE RELATIONS WITH THE UNITED STATES AND PLACE THEM ON A SOLID, SUSTAINABLE BASIS. DURING SEVEN MONTHS OF GOVERNMENTAL RESPONSIBILITY, LABOR MINISTERS, FOREMOST OF THEM FOREIGN SECRETARY CALLAGHAN, TRIED DILIGENTLY TO DO JUST THAT. FROM THE FIRST, CALLAGHAN ENJOINED HIS OFFICIALS TO ADOPT A POSITIVE APPROACH TO ALL DEALINGS WITH THE UNITED STATES, AND IN SO DOING CLEARLY HAD THE APPROVAL OF PRIME MINISTER WILSON. CANDOR AND COOPERATION WITH THE UNITED STATES WERE TO BE GUIDING PRINCIPLES. AN IMPROVEMENT IN THE STYLE IN WHICH THE BRITISH APPROACHED THE CONDUCT OF US-UK RELATIONS QUICKLY BECAME APPARENT. THE RECORD SHOWS CONSISTENT ATTEMPTS TO FIND COMMON GROUND WITH THE UNITED STATES IN A RANGE OF SUBSTANTIVE MATTERS. VIGOROUS BRITISH EFFORTS

TO PRODUCE AN ATLANTIC DECLARATION; THEIR SUPPORT IN THE
UN FOR US MIDDLE EAST POLICY; BRITISH SENSITIVITY TO US
CONCERNS ABOUT THE EC-ARAB DIALOGUE AND THEIR EFFORTS TO
MODULATE ITS PACE AND POLITICAL CONTENT; BRITISH INSIS-
TENCE IN THE EC ON OPENNESS IN CONSULTING THE US ON
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MATTERS OF MUTUAL CONCERN -- ALL ATTEST TO THE DETER-
MINATION OF THE WILSON GOVERNMENT TO ALIGN BRITISH
FOREIGN POLICY WITH THAT OF THE UNITED STATES AS COM-
PLETELY AS POSSIBLE CONSISTENT WITH BRITISH INTERESTS.
IN OTHER AREAS TOO THE BRITISH GOVERNMENT MADE A POINTED
EFFORT TO DEMONSTRATE GOOD WILL TOWARD THE UNITED STATES.
SIGNIFICANT FINANCIAL CONCESSIONS, LONG RESISTED BY THE
PREVIOUS GOVERNMENT, WERE MADE BY THE LABOR GOVERNMENT
FOR THE BENEFIT OF UNITED STATES FORCES STATIONED IN THE
UNITED KINGDOM. IN ECONOMIC POLICY, THE LABOR GOVERN-
MENT, BOTH BILATERALLY AND IN THE EUROPEAN COMMUNITY HAS
ACTED GENERALLY IN WAYS WHICH DELIBERATELY AVOIDED CON-
FLICT WITH US ECONOMIC INTERESTS, ALTHOUGH BRITISH MINIS-
TERS OF COURSE KEPT THEIR EYES MAINLY ON HOW COMMUNITY
POLICIES AFFECTED BRITISH INTERESTS. AS HAD THEIR CON-
SERVATIVE PREDECESSORS, LABOR SHOWED STRONG ENTHUSIASM
FOR AMERICAN PROPOSALS FOR AN INTERNATIONAL ENERGY PRO-
GRAM, AND HAVE GIVEN IT USEFUL SUPPORT.

3) MOTIVATIONS OF LABOR'S PRO-US POLICY - THE MOTIVES OF
THE LABOR GOVERNMENT IN MAKING SUCH A DETERMINED EFFORT
TO IMPROVE RELATIONS WITH THE UNITED STATES ARE A MIXTURE
OF CONSIDERATIONS, FOREMOST OF COURSE BEING BRITISH IN-
TERESTS BROADLY CONCEIVED. THE LABOR GOVERNMENT EX-
PLOITED OR ATTEMPTED TO EXPLOIT THE VESTIGES OF THE
SPECIAL RELATIONSHIP TO CONVEY TO THE BRITISH PUBLIC
(AND POSSIBLY WIDER AUDIENCES) THE IMPRESSION OF
BRITAIN'S CONTINUED STATUS AS A MAJOR POWER. THERE IS
AMPLE EVIDENCE THAT MINISTERS OF THE WILSON GOVERNMENT
CONSIDERED IT POLITICALLY ADVANTAGEOUS AT HOME TO BE
SEEN TO COUNT IN WASHINGTON. CONCERN ABOUT CONTINUATION
OF THE US COMMITMENT TO THE DEFENSE OF EUROPE -- A PER-
SISTENT THEME IN MINISTERIAL SPEECHES -- WAS ALSO

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LIMDIS

UNDOUBTEDLY A BASIC FACTOR. THE LABOR GOVERNMENT SEEMS GENUINELY TO HAVE BEEN CONCERNED THAT POLITICAL ESTRANGEMENT OF THE US AND ITS EUROPEAN PARTNERS SHOULD NOT ATTENUATE THE DEFENSE CONNECTION. THE BRITISH NEED FOR COOPERATION WITH THE US IN THE FACE OF GROWING BALANCE OF PAYMENTS DEFICITS DUE TO INCREASES OF THE PRICE OF OIL WAS PROBABLY AN EQUALLY IMPERATIVE REASON; IT WOULD OBVIOUSLY BE EASIER FOR THE UK TO GET US SUPPORT BILATERALLY AND IN INTERNATIONAL BODIES DEALING WITH THE PRESENT WORLD ECONOMIC DIFFICULTIES IF THE POLITICAL

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STRAINS WHICH HAD EARLIER BURDENED US-UK RELATIONS COULD BE EASED. NOR CAN THE SIGNIFICANCE OF PERSONAL ATTITUDES

OF MINISTERS TOWARD THE UNITED STATES BE OVERLOOKED. IN DISTINCTION TO THE LAST HEATH ADMINISTRATION, THE WILSON GOVERNMENT (OBJECTIVELY REGARDED HERE AS ONE OF THE MOST TALENTED BRITISH GOVERNMENTS FOR MANY YEARS) HAD MANY STRONG PERSONALITIES WHO ARE INSTINCTIVELY WELL DISPOSED TOWARD THE UNITED STATES -- CALLAGHAN, HEALEY, LEVER, JENKINS, WILLIAMS AND PEART (AND POSSIBLY WILSON, BUT ONE CAN NEVER BE ENTIRELY SURE OF THE CONSTANCY OF HIS ATTITUDES) HAVE A DEEP COMMITMENT TO ANGLO-AMERICAN ENTENTE. MORE THAN ANY ONE MINISTER, CALLAGHAN, WITH HIS DEEP COMMITMENT TO THE ATLANTIC COMMUNITY, TO NATO, AND FRIENDSHIP WITH THE US, HAS BEEN THE DRIVING FORCE IN PRODUCING THE UPWARD CURVE IN RELATIONS BETWEEN WASHINGTON AND LONDON. FINALLY, THE ASSIDUITY OF THE LABOR GOVERNMENT IN REPAIRING THE US CONNECTION UNDOUBTEDLY HAD AN ELEMENT OF RE-INSURANCE ABOUT IT. AS THE UK ENTERED ON RENEGOTIATION OF THE TERMS OF BRITISH MEMBERSHIP IN THE EUROPEAN COMMUNITY, MINISTERS PROBABLY SUBCONSCIOUSLY RECKONED THAT WITH THE FINAL OUTCOME UNCERTAIN, BRITAIN WOULD BE WELL ADVISED TO ENSURE THAT RELATIONS WITH THE UNITED STATES WERE AS CORDIAL AND SUBSTANTIVE AS THE BRITISH GOVERNMENT COULD MAKE THEM.

4) BRITAIN IN DECLINE - COINCIDENT WITH THE EFFORTS OF THE LABOR GOVERNMENT TO STABILIZE RELATIONS WITH THE UNITED STATES, BRITISH PRESTIGE AND INFLUENCE IN THE WORLD PERCEPTIBLY DECLINED. THE EXTENT OF THE DECLINE WAS AS APPARENT TO THOUGHTFUL BRITONS AS IT WAS TO FRIENDS AND ADVERSARIES OF BRITAIN.

(A) AT HOME, THE SELF-CONFIDENCE OF THE BRITISH PEOPLE IS BEING SAPPED BY GROWING DISRESPECT FOR AUTHORITY AND DISILLUSIONMENT WITH THE APPARENT INABILITY OF THE POLITICAL SYSTEM TO COPE WITH INFLATION AND OTHER PRESSING ECONOMIC AND SOCIAL PROBLEMS. THERE IS A DISTURBING TREND IN THE ELECTORATE TOWARD POLARIZATION INTO LEFT AND RIGHT; IN CONSERVATIVE CIRCLES, AND EVEN AMONG MODERATES, THERE IS MOUNTING APPREHENSION ABOUT THE POWER OF THE TRADES UNIONS TO CONTROL THE ECONOMY AND TO DICTATE THE POLITICS OF THE COUNTRY. GROWING DEMANDS OF

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THE REGIONS, PRIMARILY SCOTLAND, FOR GREATER AUTONOMY DO NOT BODE WELL FOR NATIONAL COHESION. ON THE EVE OF THE GENERAL ELECTION THIS IS A DISUNITED COUNTRY, ALTHOUGH THE MAJOR POLITICAL PARTIES PRESCRIBE SEMANTICALLY NOT VERY DIFFERENT FORMULAE TO UNITE THE NATION AND TO ATTACK THE FUNDAMENTAL PROBLEMS AFFLICTING BRITAIN. THE CENTRAL QUESTION IS WHETHER THE NEXT GOVERNMENT CAN INSPIRE THE ACT OF WILL AND CONCILIATION WHICH IS REQUIRED TO PULL THE COUNTRY OUT OF ITS MALAISE. ON PRESENT FORM, BRITAIN

WILL NOT BE ABLE TO PLAY A WORLD ROLE THAT COMMANDS VERY MUCH RESPECT, NOR WILL IT BE THE KIND OF PARTNER OF THE UNITED STATES WHICH IS WELL PLACED TO WORK WITH US TO ADVANCE OUR COMMON INTERESTS IN EUROPE.

(B) IN THE EUROPEAN COMMUNITY, BRITAIN'S ECONOMIC WEAKNESS AND THE UNCERTAINTY ABOUT THE UK'S CONTINUED MEMBERSHIP HAVE UNDERCUT ITS INFLUENCE. THE MANNER IN WHICH THE UK HAS GONE ABOUT RENEGOTIATING THE TERMS OF MEMBERSHIP HAS IRRITATED THE EIGHT WHO SEEM TO BE IMPATIENT WITH THE LABOR GOVERNMENT'S POLITICKING AND SUSPICIOUS OF THE UK'S MOTIVES. THE AUTHORITY WHICH BRITAIN SHOWED IN THE FIRST YEAR OF MEMBERSHIP HAS BEEN ERODED. UNTIL THE QUESTION MARK OVER BRITAIN'S INTENTIONS TOWARD THE COMMUNITY HAS BEEN REMOVED -- AND THAT MAY NOT HAPPEN FOR ANOTHER YEAR IF LABOR IS RETURNED -- THE UK IS UNLIKELY TO BE A FORCE FOR EFFECTIVE COMMUNITY ACTION LET ALONE INNOVATION; BRITAIN MAY BE ABLE TO EXTRACT SOME ECONOMIC ADVANTAGES AND BLOCK INIMICAL DECISIONS, BUT SHE WILL PLAY SECOND FIDDLE TO THE DOMINANT POWERS OF THE COMMUNITY -- FRANCE AND GERMANY.

(C) BEYOND EUROPE, THE CYPRUS CRISIS HIGHLIGHTED THE LIMITATIONS OF BRITISH POWER AND INFLUENCE. IN THIS FIRST MAJOR INTERNATIONAL CRISIS TO CONFRONT THE LABOR

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GOVERNMENT, BRITAIN WAS THRUST INTO A CENTRAL ROLE AS THE MAJOR TREATY GUARANTOR POWER. CALLAGHAN TRIED TO BE AN HONEST BROKER, AND WAS ABLE TO GET A NEGOTIATING PROCESS UNDER WAY AFTER THE INITIAL TURKISH INTERVENTION. BUT AT EACH CRITICAL JUNCTURE THE BRITISH GOVERNMENT HAD TO TURN TO THE UNITED STATES TO BACK UP BRITISH EFFORTS. THE UK WAS UNABLE TO PREVENT THE BREAKDOWN OF THE SECOND GENEVA CONFERENCE OR HEAD OFF THE TURKISH ADVANCE IN CYPRUS, EVEN WITH SOME BACKSTAGE ASSISTANCE FROM THE US. THE PRESENCE OF SUBSTANTIAL BRITISH FORCES IN CYPRUS WAS
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NO HELP TO BRITISH DIPLOMACY, AND THE CENTRAL FACT IS THAT BRITAIN SIMPLY DID NOT HAVE SUFFICIENT LEVERAGE IN THE EASTERN MEDITERRANEAN TO PLAY A DECISIVE ROLE. BRITAIN WAS OUT IN FRONT, BUT WITHOUT AMERICAN BACKING EVEN THE MODEST PROGRESS WHICH THE BRITISH GOVERNMENT WAS ABLE TO MAKE WOULD NOT HAVE BEEN POSSIBLE.

5) A SURPRISE-FREE SCENARIO - PRECISELY BECAUSE US-UK RELATIONS HAVE BEEN SO DISTINCTIVELY UPBEAT FOR THE PAST SEVEN MONTHS, FUTURE BRITISH ACTIONS WHICH ARE AT CROSS PURPOSES TO OUR OWN COULD PRODUCE A RUDER SHOCK TO THE

/
ANGLO-AMERICAN RELATIONSHIP THAN WOULD BE THE CASE IF RELATIONS HAD BEEN LESS CORDIAL AND CONSTRUCTIVE. THE PARLOUS STATE OF BRITAIN COULD LEAD THE NEXT GOVERNMENT TO TAKE ACTIONS WHICH ADVERSELY AFFECT US INTERESTS. DEVISING A SURPRISE-FREE SCENARIO WHICH ADDRESSES AREAS OF POSSIBLE DIFFERENCE COULD MINIMIZE ADVERSE EFFECTS ON THE FUNDAMENTAL RELATIONSHIP.

6) DEFENSE ISSUES - THE DECISIONS WHICH THE NEXT GOVERNMENT TAKES ON DEFENSE WILL BE OF CONSIDERABLE MOMENT TO

THE UNITED STATES. LABOR IS COMMITTED TO MAKING SUBSTANTIAL REDUCTIONS IN DEFENSE SPENDING -- "SEVERAL HUNDRED MILLIONS OF POUNDS" ANNUALLY OVER A PERIOD (FIVE OR MORE YEARS) TO BRING THE UK "INTO LINE WITH OUR MAJOR EUROPEAN PARTNERS." IMMEDIATELY AFTER TAKING OFFICE IN MARCH, THE LABOR GOVERNMENT STARTED "THE MOST COMPREHENSIVE DEFENSE REVIEW" FOR MANY YEARS. THE REVIEW HAS EVOLVED TO A POINT WHERE MINISTERIAL DECISIONS ON THE OPTIONS PRESENTED COULD BE TAKEN FAIRLY QUICKLY. NONE HAS YET TO OUR KNOWLEDGE BEEN TAKEN. PRECISELY HOW DEEP THE REDUCTIONS MAY BE OR WHERE COMMITMENTS MAY BE PARED DOWN OR ELIMINATED CANNOT NOW BE FORECAST. BUT ALL THE POINTERS ARE TO A SIGNIFICANT SCALING DOWN OR TERMINATION OF BRITISH EXTRA-EUROPEAN COMMITMENTS AND POSSIBLY TO A REDUCED CONTRIBUTION TO NATO. SOME OF THESE ACTIONS WILL ADVERSELY AFFECT US SECURITY AND INTELLIGENCE INTERESTS. OPTIONS INVOLVING TOTAL BRITISH WITHDRAWAL FROM SINGAPORE; ELIMINATION OR CONSOLIDATION OF THE SOVEREIGN BASE AREAS IN CYPRUS; DRAW-DOWN OF BRITISH FORCES COM-

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MITTED TO NATO; CURTAILMENT OF RESEARCH AND DEVELOPMENT; SCALED-DOWN PROCUREMENT OF US EQUIPMENT -- ARE BEING CONSIDERED. WHETHER OR NOT REDUCTIONS IN BRITISH DEFENSE EFFORTS ARE KEPT WITHIN "TOLERABLE" BOUNDS UNDER A NEW LABOR GOVERNMENT WILL DEPEND ON THE PERCEPTIONS OF THE NEXT GOVERNMENT OF THE IMPORTANCE OF BRITAIN'S TRYING TO MAINTAIN A CREDIBLE CONTRIBUTION TO THE COMMON DEFENSE. THIS IN TURN WILL DEPEND ON WHETHER THE MODERATES, WHO ARE COMMITTED TO ATLANTIC DEFENSE, HOLD THE BALANCE IN THE NEXT CABINET, OR WHETHER THE INFLUENCE OF THE DOCTRINAIRE, ANTI-NATO, NEUTRALIST LEFT CONTINUES TO GAIN IN STRENGTH.

DOCTRINALLY, THE CONSERVATIVES SUPPORT A STRONG DEFENSE EFFORT. YET IN THE LAST YEAR OF THE HEATH ADMINISTRATION THEY WERE FORCED BY ECONOMIC STRINGENCY TO MAKE TWO SUBSTANTIAL CUTS IN DEFENSE SPENDING. NO OBJECTIVE OBSERVER HERE THINKS THAT A CONSERVATIVE GOVERNMENT WOULD BE ABLE TO MAINTAIN THE PRESENT LEVEL OF DEFENSE SPENDING. WHILE THE CONSERVATIVES WOULD PROBABLY TRY TO CUT LESS DEEPLY THAN LABOR, THEY TOO WOULD PROBABLY FIND SOME SIGNIFICANT RETRENCHMENT INESCAPABLE. THEY HAVE NOT ADDRESSED THE ISSUE IN DETAIL, HOWEVER. BEYOND REITERATING STRONG SUPPORT FOR NATO, THE TORIES WOULD EXAMINE STRINGENTLY ALL PUBLIC EXPENDITURES, IMPLYING THAT THEY TOO WOULD HAVE A DEFENSE REVIEW.

THE LABOR GOVERNMENT HAS MADE A BINDING COMMITMENT TO CONSULT ALLIED POWERS, ESPECIALLY THE UNITED STATES, IN GOOD TIME BEFORE FINAL DECISIONS ARE TAKEN. WHILE THE SINCERITY OF THIS COMMITMENT SHOULD NOT BE DOUBTED,

A LABOR GOVERNMENT MAY IN THE EVENT DO MORE "INFORMING"
THAN "CONSULTING." THERE MAY BE LITTLE TIME FOR THE
UNITED STATES TO ADDRESS SOME OF THE WORST CASE POSSI-
BILITIES IN THE DEFENSE REVIEW, AND TO CONSIDER WHETHER
OR TO WHAT EXTENT WE WOULD BE PREPARED TO ASSIST THE

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BRITISH TO CARRY ON IN AREAS OF VITAL IMPORTANCE TO
AMERICAN INTERESTS. ALTERNATIVELY, WE SHOULD HAVE
CLEARLY IN MIND WHAT SUASIONS WE WANT TO APPLY TO DEFLECT

THE BRITISH UNDER A LABOR GOVERNMENT FROM CERTAIN COURSES OF ACTION. AT A MINIMUM, WE MUST PROBABLY RECONCILE OURSELVES TO A DIMINISHED BRITISH CONTRIBUTION TO THE COMMON DEFENSE, AND DECIDE HOW TO WORK WITH THE BRITISH SO THAT IT WILL LEAST DAMAGE THE ALLIANCE.

7) THE INTERNATIONAL ECONOMIC DIMENSION. CAREFUL
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ATTENTION MUST BE GIVEN TO INTERNATIONAL ECONOMIC POLICY. THE VULNERABILITY OF BRITAIN TO EXTERNAL ECONOMIC FORCES IS SO GREAT THAT WHETHER THE LABOR PARTY OR THE CONSERVATIVE PARTY TAKES OFFICE, THE DISPOSITION WILL BE TO SEEK INTERNATIONAL, NOT NATIONAL, SOLUTIONS TO THE BASIC PROBLEMS WHICH HAVE PRODUCED FORMIDABLE BALANCE OF PAYMENTS DEFICITS, AND DISTORTED THE ORDERLY MOVEMENT OF INTERNATIONAL TRANSFERS. AS A GENERAL PROPOSITION, THE US SHOULD BE ABLE TO COUNT ON BRITISH COOPERATION IN ATTACKING COMMON INTERNATIONAL ECONOMIC PROBLEMS, BUT THERE ARE CLEARLY DIFFERENT INTERPRETATIONS IN THE US AND IN THE UK ON SOME MAJOR POINTS OF EMPHASIS, WHICH HAVE BEEN OPENLY NOTED HERE IN PRESS ARTICLES.

ON A MACRO-ECONOMIC SCALE, CHANCELLOR HEALEY CONSIDERS THAT US DOMESTIC POLICY IS TOO RESTRICTIVE. TO VERY LARGE DEGREE, THIS REFLECTS THE CHANCELLOR'S AIMS OF HOLDING DOWN DOMESTIC CONSUMPTION AND SHIFTING RESOURCES IN ORDER TO INCREASE UK EXPORTS. THIS POLICY COULD BE VITIATED BY A MAJOR SLOWDOWN IN WORLD TRADE, AND THE UK CONSIDERS THE US A BELLWETHER IN THIS REGARD. EQUALLY, HEALEY WOULD LIKE TO REDUCE DOMESTIC STERLING INTEREST RATES FOR POLITICAL AND ECONOMIC REASONS. BECAUSE OF INTERNATIONAL CONSIDERATIONS, HE CANNOT, UNLESS US RATES ALSO FALL.

WHATEVER THE MERITS OF THE ARGUMENT, THE UK BELIEVES THAT OIL PRODUCERS MAY HOLD IN THE US A FAR GREATER PART OF THEIR SURPLUS THAN IS REQUIRED TO FINANCE THE US'S DEFICIT ON OIL ACCOUNT. IF THIS COMES ABOUT, THE UK BELIEVES SPECIAL ARRANGEMENTS FOR RE-CYCLING THESE FUNDS FROM THE US WILL BE REQUIRED. THE CHANCELLOR BELIEVES THAT MORE CONTINGENCY PLANNING IS NECESSARY; THIS IN PART MAY LIE BEHIND HIS PROPOSAL TO ESTABLISH A MUCH LARGER IMF FACILITY FOR RE-CYCLING PETRODOLLAR SURPLUSES TO MAJOR CONSUMER NATIONS. HE MAY ALSO BE SEEKING SOME FORM OF INSURANCE THAT THE UK CAN CONTINUE TO TAP THESE FUNDS IF STERLING BECOMES SUSPECT OR LESS DESIRABLE TO FOREIGN HOLDERS.

IN THE FUTURE, BOTH THE LABOR AND THE CONSERVATIVE PARTIES CAN BE EXPECTED TO BE MORE INTERVENTIONIST IN INDUSTRIAL POLICY, INCLUDING OF COURSE NORTH SEA OIL DEVELOPMENT. THERE WILL BE IRRITANTS ON THIS POINT

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WITH US COMPANIES. LABOR WOULD BE MORE INTERVENTIONIST, MORE INVOLVED IN DIRECT GOVERNMENT CONTROL IN INDUSTRY AND MORE LIKELY TO PROVOKE NEGATIVE REACTIONS FROM US INDUSTRY ESTABLISHED HERE. DIRECT INVESTMENT PROPOSALS BY NON-RESIDENTS MAY ALSO BE SCREENED MORE CLOSELY.

WITH THE REMOVAL OF US CAPITAL CONTROLS, MANY OBSERVERS EXPECTED AT LEAST PART OF US FINANCIAL ACTIVITIES IN THE UK TO RETURN HOME. THERE HAS NOT BEEN ANY NOTICEABLE SHIFT YET. LABOR HAS MADE A VAGUE STATEMENT THAT PROPOSALS WILL BE INTRODUCED TO ASSURE THAT BANKING AND INSURANCE MAKE THEIR APPROPRIATE CONTRIBUTION TO THE UK ECONOMY. US FINANCIAL INTERESTS IN THE UK OBVIOUSLY WONDER WHAT LABOR HAS IN MIND, BUT DON'T BELIEVE LABOR WOULD DELIBERATELY INTRODUCE MEASURES THAT WOULD DRIVE OUT FOREIGN FINANCIAL INTERESTS.

AS THE UK ECONOMIC SITUATION CONTINUES TO DETERIORATE, WITH UNEMPLOYMENT RISING, THERE IS BOUND TO BE PRESSURE FROM UNIONS AND INDUSTRY ON WHATEVER GOVERNMENT IS IN POWER TO FOLLOW WHERE POSSIBLE AT LEAST INFORMAL "BUY BRITISH" POLICIES. EXISTING INDUSTRIAL SUBSIDY AND INVESTMENT INCENTIVE PROGRAMS WILL BE REVIEWED TO DETERMINE HOW CHANGES CAN BE MADE THAT MAY INCREASE EXPORTS.

LABOR PARTY MINISTERS HAVE CITED THE INTERNATIONAL DANGERS IN INTRODUCING SUCH TRADE RESTRICTIVE MEASURES AS DIRECT IMPORT CONTROLS. BARRING A MAJOR CHANGE IN ATTITUDE -- WHICH WE DO NOT FORESEE -- THIS POLICY LINE WOULD BE CONTINUED BY EITHER PARTY IN POWER, BASED ON A PRAGMATIC UNDERSTANDING THAT THE UK COULD LOSE MORE THAN IT WOULD GAIN SHOULD BEGGAR-MY-NEIGHBOR POLICIES BE INTRODUCED BY THE UK'S MAJOR TRADING PARTNERS.

8) THE MIDDLE EAST - THE LABOR GOVERNMENT HAS AVOIDED TAKING UNILATERAL ACTIONS OR SUPPORTING INITIATIVES OF

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FM AMEMBASSY LONDON

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INFO AMEMBASSY BONN

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ITS COMMUNITY PARTNERS WHICH MIGHT BE PREJUDICIAL TO US
EFFORTS TO PROMOTE A MIDDLE EAST PEACE SETTLEMENT. MORE
THAN THIS, THE LABOR GOVERNMENT HAS SOUGHT TO BE AS
HELPFUL TO US DIPLOMACY AS ITS POSITION IN THE MIDDLE
EAST WOULD PERMIT. THIS ATTITUDE IS A FUNCTION OF MANY
CONSIDERATIONS -- CHIEF AMONG THEM THE PERCEIVED NEED TO
STAY ON THE BEST POSSIBLE OVERALL TERMS WITH THE UNITED
STATES. CIRCUMSTANCES TOO MADE IT RELATIVELY EASY FOR
THE LABOR GOVERNMENT TO CONDUCT A MIDDLE EAST POLICY SUP-
PORTIVE OF US OBJECTIVES. THE LABOR PARTY INSTINCTIVELY

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LEANS TOWARD ISRAEL; LABOR POLITICIANS (AND INDEED MOST
REALISTS IN LONDON) APPRECIATE HOW LITTLE POLITICAL IN-
FLUENCE BRITAIN RETAINS IN THE AREA; ARAB OIL IS NOW
FLOWING SMOOTHLY, ALTHOUGH AT A HIGH PRICE.

HOW DURABLE WOULD BRITISH ACCOMMODATION OF THE
UNITED STATES MIDDLE EAST POLICY BE IF ANOTHER ARAB-
ISRAEL WAR SHOULD BREAK OUT? HOW WOULD THE NEXT GOVERN-

MENT DEAL WITH THE DILEMMAS FACED BY THE CONSERVATIVES IN OCTOBER 1973? IN CIRCUMSTANCES RESEMBLING THOSE OF OCTOBER 1973, WOULD A LABOR OR CONSERVATIVE GOVERNMENT GIVE THE UNITED STATES ACTIVE SUPPORT TO CONTAIN SOVIET EFFORTS TO EXPLOIT THE CRISIS; WOULD EITHER SEE THE ISSUE IN TERMS OF A THREAT TO DETENTE; OR WOULD THE NEXT BRITISH GOVERNMENT ADOPT A NOTIONALLY NEUTRAL STANCE OUT OF CONCERN FOR AVAILABILITY OF ARAB OIL, WITH THE RESULT THAT TRANS-ATLANTIC RELATIONS AGAIN WERE BURDENED BY MIS-UNDERSTANDING AND RECRIMINATION?

SEVERAL CONSIDERATIONS SUGGEST THAT SOME OF THE WORST FEATURES OF LAST YEAR'S CONTRETEMPS COULD BE AVOIDED. THE CLOSE CONSULTATION WHICH HAS TAKEN PLACE BETWEEN THE SECRETARY AND THE FOREIGN SECRETARY OVER THE PAST SEVEN MONTHS HAS ESTABLISHED A GENERAL CLIMATE OF CONFIDENCE BETWEEN THE US AND UK, PARTICULARLY IN RESPECT TO THE MIDDLE EAST. THE LABOR PARTY UNDER ITS PRESENT LEADERSHIP WOULD GO TO CONSIDERABLE LENGTHS TO AVOID A CLASH WITH THE US; THE CONSERVATIVES TOO HAVE LEARNED SOME LESSONS AND PROBABLY WOULD TRY TO MINIMIZE FRIC-TIONS -- AT LEAST BY CARRYING ON CLOSE CONSULTATION WITH THE US. BOTH LABOR AND CONSERVATIVES MIGHT BE REASSURED BY ENERGY-SHARING PROSPECTS THROUGH THE IEP, AND THUS BE PREPARED TO TAKE A LESS INDIFFERENT ATTITUDE TOWARD SOVIET MANEUVERING IN THE MIDDLE EAST OR GRAVE THREATS TO THE EXISTENCE OF ISRAEL. BUT THE PREOCCUPATION OF BOTH THE LABOR AND CONSERVATIVE PARTIES WITH THE MIDDLE EAST STILL CENTERS ON THE CONTINUED AVAILABILITY OF ARAB OIL, AND THE BRITISH REMAIN ACUTELY SENSITIVE TO THE RE-LATIONSHIP OF THE AVAILABILITY OF ARAB OIL TO A MIDDLE EAST SETTLEMENT WHICH IS SATISFACTORY TO THE ARABS. MASSIVE US SUPPORT FOR ISRAEL IN RENEWED HOSTILITIES COULD THUS CAUSE STRAINS IN THE US-UK RELATIONSHIP UNLESS A DETERMINED EFFORT IS MADE IN BOTH WASHINGTON AND LONDON

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TO RECOGNIZE THE POTENTIAL FOR TROUBLE AND TO EXERT EVERY EFFORT TO MINIMIZE POLICY DIVERGENCES.

9) BRITAIN AND THE EUROPEAN COMMUNITY - A SURPRISE-FREE SCENARIO FOR ANGLO-AMERICAN RELATIONS SHOULD ALSO TAKE ACCOUNT OF THE POSSIBILITY OF BRITISH WITHDRAWAL FROM THE EUROPEAN COMMUNITY. THE RELATIONSHIP TO THE UNITED STATES OF A BRITAIN WHICH HAS TURNED ITS BACK ON EUROPE WOULD OBVIOUSLY BE VASTLY DIFFERENT FROM THE PRESENT RE-LATIONSHIP, AND, IN OUR VIEW, A LESS ADVANTAGEOUS ONE TO THE UNITED STATES.

WHAT ARE THE CHANCES THAT BRITAIN WILL NOT REMAIN IN THE COMMUNITY?

MEMBERSHIP OF THE COMMUNITY IS NOT AN IMMEDIATE

ISSUE IN THIS ELECTION CAMPAIGN, ALTHOUGH IT HAS SELDOM BEEN FAR BELOW THE SURFACE. OCCASIONAL CRACKS IN THE FRAGILE UNITY OF THE LABOR PARTY ON THIS ISSUE HAVE APPEARED AS COMMUNITY PROPONENTS LIKE SHIRLEY WILLIAMS AND ROY JENKINS HAVE BEEN PRODDERED TO RESTATE PUBLICLY THEIR CONVICTIONS.

WHICHEVER PARTY WINS, THE ISSUE OF BRITISH MEMBERSHIP WILL QUITE POSSIBLY REMAIN UNRESOLVED. A MAJORITY CONSERVATIVE GOVERNMENT WOULD KEEP BRITAIN IN THE COMMUNITY, WHILE CARRYING ON SOMETHING LIKE LABOR'S "RE-NEGOTIATION." THERE WOULD OF COURSE BE NO REFERENDUM IN THE CONSERVATIVE SCENARIO, SINCE THE TORIES REGARD RE-NEGOTIATION AS A CONTINUOUS PROCESS INCIDENT TO PARTICIPATION IN THE COMMUNITY.

IF THE CONSERVATIVES DO NOT GET A MAJORITY (AND AT THIS POINT IT IS UNLIKELY THEY WILL), THEIR BEST HOPE OF GOVERNING LIES IN COALITION WITH THE LIBERALS. A CONSERVATIVE/LIBERAL COALITION MIGHT NOT HAVE A LONG LIFE EXPECTANCY, AND THE FINAL DISPOSITION OF THE QUESTION OF

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4577

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COMMUNITY MEMBERSHIP WOULD REMAIN UNCERTAIN IN VIEW OF THE DETERMINATION OF LABOR WHENEVER THEY RETURN TO OFFICE TO REFER THE FINAL JUDGMENT TO THE BRITISH PEOPLE.

IF THE LABOR PARTY WINS A MAJORITY, IT HAS PROMISED TO SETTLE THE ISSUE WITHIN ONE YEAR, THROUGH THE BALLOT BOX. THE FINAL OUTCOME IS UNCERTAIN, PROBABLY MORE UNCERTAIN THAN PROPONENTS OF BRITISH MEMBERSHIP AT HOME AND ABROAD REALIZE. THE LABOR GOVERNMENT IS TO ALL INTENTS NEGOTIATING IN GOOD FAITH WITH THE HOPE THAT THE RESULTS WOULD JUSTIFY CONTINUED MEMBERSHIP. INFLUENTIAL LABOR
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MINISTERS (CALLAGHAN MOST PROMINENTLY) HAVE MOVED FROM AGNOSTICISM TO QUALIFIED ACCEPTANCE OF BRITISH MEMBERSHIP. BRITAIN HAS BENEFITED (AND IN THE UK HAS BEEN SEEN TO HAVE BENEFITED) FROM SOME OF THE CHANGES WHICH HAVE OCCURRED IN THE COMMUNITY; WHILE THE UK MAY NOT HAVE STOOD THE CAP ON ITS HEAD, IT HAS CERTAINLY CONTRIBUTED TO THE PROCESS. BUT MAJORITY SENTIMENT IN THE COUNTRY AT LARGE REMAINS DISTINCTLY HOSTILE TO BRITISH MEMBERSHIP. THE RANK AND FILE OF THE LABOR PARTY AND THE TRADES UNION CONGRESS ARE OVERWHELMINGLY HOSTILE.

FROM AN AMERICAN VIEWPOINT THE UNCERTAINTY ABOUT BRITAIN'S CONTINUED MEMBERSHIP IN THE EUROPEAN COMMUNITY IS UNFORTUNATE. IN NEARLY TWO YEARS OF MEMBERSHIP, BRITISH POLICIES IN THE COMMUNITY HAVE BEEN BENEFICIAL TO US ECONOMIC INTERESTS. US POLITICAL INTERESTS IN EUROPE, WHICH THE CONSERVATIVE GOVERNMENT OFTEN TREATED CAVALIERLY, HAVE BEEN ACCORDED CAREFUL CONSIDERATION (EVEN DEFERENCE) BY THE LABOR GOVERNMENT. IF BRITAIN REMAINS IN THE COMMUNITY, THE IMPULSES WHICH LED THE WILSON GOVERNMENT IN THE FIRST PLACE TO STRESS OPEN RELATIONS BETWEEN THE US AND THE EC WILL REMAIN OPERATIVE. EVEN UNDER A CONSERVATIVE ADMINISTRATION WE DO NOT LOOK FOR A RETURN TO THE ADVERSARY RELATIONSHIP WHICH HEATH SEEMED TO CONSIDER NECESSARY TO GIVE THE COMMUNITY COHESION. THE CONSERVATIVES PROBABLY NOW REALIZE THAT SUCH AN ATTITUDE DOES NOT PAY; THEY ALSO KNOW THAT US-EUROPEAN COOPERATION HAS BECOME ABSOLUTELY INDISPENSABLE TO AN

ECONOMICALLY THREATENED EUROPE; CRYPTO-GAULLISTS IN THE CONSERVATIVE PARTY WILL NOT FIND SUPPORT FROM PRAGMATISTS LIKE GISCARD AND SCHMIDT FOR POLICIES TOWARD THE UNITED STATES WHICH IRRELEVANTLY BURDEN TRANS-ATLANTIC RELATIONS.

THE CHANCES ARE THEREFORE GOOD, IF BRITAIN DOES NOT TURN HER BACK ON THE EC, THAT A UK GOVERNMENT WOULD ENDORSE AND ACTIVELY SUPPORT A US-EC RELATIONSHIP WHICH UNDERPINS ATLANTIC SECURITY AND IN WHICH EUROPE WORKS CONFIDENTLY AND COOPERATIVELY WITH THE UNITED STATES.

BUT IF BRITAIN DOES IN THE END COME OUT OF THE EUROPEAN COMMUNITY, IT IS HARD TO ESCAPE THE CONCLUSION THAT US INTERESTS WILL SUFFER. LAST SPRING WE ANALYZED THE SERIOUS IMPLICATION FOR THE UNITED STATES OF BRITISH SECRET

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WITHDRAWAL FROM THE COMMUNITY (LONDON 4301). WE STAND ON THOSE CONCLUSIONS WHICH, BRIEFLY STATED, WERE: IF BRITAIN REMAINS IN THE EC IT WOULD BE A FORCE FOR CLOSER US-EC COOPERATION. ITS WITHDRAWAL THOUGH WOULD SET IN MOTION AN UNRAVELLING OF THE ENTIRE STRUCTURE OF ATLANTIC COOPERATION.

IF THIS PREMISE IS VALID, THE UNITED STATES MUST ADDRESS ITSELF TO WHAT ACTION, IF ANY, OUR INTERESTS IN THE ANGLO-AMERICAN RELATIONSHIP AND THE US-EUROPEAN RELATIONSHIP SUGGEST THAT WE TAKE. WE CAN STAND ASIDE AND LET EVENTS TAKE THEIR COURSE. WE CAN, ON THE OTHER HAND, TAKE A LESS PASSIVE ATTITUDE.

OVER THE PAST FEW MONTHS AND EVEN IN THE LAST WEEKS, A CONSIDERABLE NUMBER OF MINISTERS AND OFFICIALS INVOLVED IN BRITISH POLICY TOWARD THE COMMUNITY HAVE INDICATED TO US UNCERTAINTY ABOUT UNITED STATES ATTITUDES TOWARD BRITISH MEMBERSHIP. SOME EVEN CONVEY THE IMPRESSION THAT THEY BELIEVE THE UNITED STATES IS TOTALLY INDIFFERENT TO THE CHOICE BRITAIN MAKES. AT BOTH MINISTERIAL AND OFFICIAL LEVELS WE HAVE BEEN IMPORTUNED ABOUT THE IMPORTANCE OF THE UNITED STATES MAKING CLEAR IN SOME APPROPRIATE AND AUTHORITATIVE MANNER WHERE IT STANDS. TRUE, A NUMBER OF LABOR MINISTERS WHO VISITED WASHINGTON DURING THE WILSON ADMINISTRATION HAVE SAID TO US AND PUBLICLY THAT THEY HAD THE IMPRESSION AFTER TALKING TO SOME US OFFICIALS THAT THE UNITED STATES WOULD FIND A BRITAIN CUT OFF FROM EUROPE A LIABILITY. BUT THESE SAME MINISTERS ARE CONFUSED BY RETICENCE OF THE MOST IMPORTANT US OFFICIALS ON THE QUESTION.

IF LABOR FORMS THE NEXT GOVERNMENT, THE BRITISH CABINET WILL, IN THE LATE WINTER OR EARLY SPRING, CONFRONT A DECISION OF SUPREME NATIONAL IMPORTANCE -- HOW TO PRESENT TO THE BRITISH PEOPLE THE RESULTS OF RE-

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4578

INFO AMEMBASSY BONN

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NEGOTIATION. GIVEN THE DEEP DIVISIONS WITHIN THE LABOR PARTY ABOUT EUROPE, THE PROSPECT THAT THE CABINET WILL VIGOROUSLY COMMEND THE TERMS TO THE BRITISH ELECTORATE ARE NOT BRIGHT.

IT IS OUR CONVICTION THAT THE UNITED STATES SHOULD ENCOURAGE LABOR STATESMEN TO ADVOCATE CONTINUED BRITISH MEMBERSHIP ON THE BASIS OF "ACCEPTABLE" TERMS. IMAGINATIVE US DIPLOMACY CAN SURELY FIND WAYS TO MAKE CLEAR, WITHOUT INVIDIOUS OVERTONES TO PIVOTAL LABOR PERSONALI-

TIES (CALLAGHAN IS THE KEY FIGURE), THAT THE MUTUAL IN-
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TERESTS OF THE UNITED STATES AND THE UNITED KINGDOM ARE
BEST SERVED BY A STABLE, PROSPEROUS AND OUTWARD-LOOKING
EUROPEAN COMMUNITY OF WHICH BRITAIN IS A COMMITTED MEM-
BER. IT MIGHT ALSO BE MADE CLEAR THAT IN OUR VIEW THE
ALTERNATIVE -- BRITAIN OUTSIDE A EUROPEAN COMMUNITY IT
HAD REJECTED -- COULD HARDLY EXPECT TO LOOK FORWARD TO
EXCEPTIONAL US SUPPORT IN DIFFICULTIES WHICH MAY ARISE.

WHILE THE FINAL DECISION IS FOR THE BRITISH PEOPLE
TO MAKE, IT SHOULD BE MADE WITH FULL AWARENESS OF THE
CONSEQUENCES OF EACH CHOICE. AND THE UNITED STATES WOULD
BE DERELICT NOT TO MAKE UNMISTAKABLY CLEAR TO THE BRITISH
GOVERNMENT WHERE IT STANDS. WE DO NOT ADVOCATE A PUBLIC
STATEMENT, BUT IF A VITAL AND COOPERATIVE EUROPE REALLY
IS A PRIORITY OBJECTIVE OF THE UNITED STATES, CAN WE
TAKE A DETACHED VIEW OF THE FUTURE COURSE OF BRITAIN?

10) BRITAIN'S CHOICES - WITH LUCK, HARD WORK, AND
EFFECTIVE PARTICIPATION IN INTERNATIONAL EFFORTS TO COPE
WITH INFLATION AND ITS ATTENDANT ILLS, BRITAIN WILL RE-
MAIN A USEFUL PARTNER OF THE UNITED STATES. BUT THE
REALITIES OF POWER ARE WORKING INEXORABLY TO ERODE THE
DISTINCTIVE CHARACTER OF THE ANGLO-AMERICAN RELATIONSHIP.
THE REALISTS IN BRITISH POLITICS DO NOT BELIEVE THAT THE
"SPECIAL" QUALITY OF ANGLO-AMERICAN RELATIONS CAN BE RE-
CAPTURED, WHATEVER THE APPARENT SUCCESS OF THE PAST
SEVEN MONTHS OF UNALLOYED PRO-AMERICANISM OF THE LABOR
GOVERNMENT. A HEALTHY AND REALISTIC RELATIONSHIP IS
POSSIBLE ONLY IF BRITAIN REMAINS IN EUROPE. IF THE
BRITISH PEOPLE DO NOT SEE THEIR FUTURE IN THAT DIRECTION,
BUT OPT FOR A LITTLE ENGLAND SOLUTION (AS THE ECONOMIST
HAS PUT IT, IF THE UK "UNPLUGS ITSELF FROM THE POWER
CIRCUITS OF THE WORLD"), IT IS HARD TO SEE HOW THIS
COUNTRY CAN AVOID SLIPPING INTO INTERNATIONAL IRRELE-
VANCE. IN SUCH CIRCUMSTANCES, THE UNITED STATES WOULD
HAVE TO REFLECT VERY CAREFULLY WHETHER WE WOULD WISH TO
CARRY ON ANY KIND OF CLOSE (LET ALONE "SPECIAL") RE-
LATIONSHIP WHICH WOULD BECOME INCREASINGLY LOP-SIDED AND
PROBABLY AN UNACCEPTABLE BURDEN.

THE HARDER ONE LOOKS AT THE FUTURE OF BRITAIN, THE
MORE IT SEEMS EVIDENT THAT THE UNITED KINGDOM CAN ONLY
CONTINUE TO EXERT THE KIND OF INFLUENCE THAT ITS GENIUS,
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CIVILITY AND SPIRIT OF INNOVATION WARRANT IF IT IS PART
OF A LARGER, DYNAMIC GROUPING. A VIBRANT EUROPEAN COM-
MUNITY CAN BE NOT ONLY BRITAIN'S SHELTER IN THE PRESENT
STORM BUT A VEHICLE WHICH ENCOURAGES NATIONAL FULFILMENT.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, MEMBERSHIP, CENTRAL GOVERNMENT, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 08 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON13098
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X3
Errors: N/A
Film Number: D740285-0443
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741064/aaaaccqo.tel
Line Count: 1093
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 20
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: LONDON 13892 (NOVEMBER 28, 1973); LO, NDN 4301
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <29 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: A DECLINING BRITAIN AND THE ANGLO-AMERICAN RELATIONSHIP
TAGS: PFOR, PINT, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005